

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop S2-14-26  
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations  
Disabled and Elderly Health Programs Group  
Division of Integrated Health Systems

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Mr. Ray Hanley, Director  
Arkansas Department of Human Services  
Division of Medical Services  
P.O. Box 1437, S401  
Little Rock, Arkansas 72203-1497

Dear Mr. Hanley:

We appreciate the opportunity we had on August 22, 2002, to discuss informally with your staff Arkansas' Section 1115 TEFRA-like Demonstration proposal. This call was an opportunity to collect more information about the program and clarify points for our understanding.

Based on the August 22 conference call, it is our understanding that the basic elements of the proposed demonstration are as follows:

- The TEFRA-like demonstration will replace the optional TEFRA eligibility category currently in the State Plan.
- The optional TEFRA eligibility category will be removed from the State Plan.
- The standards and methodologies used for determining eligibility under the TEFRA option in the State Plan will be the same under the TEFRA-like Demonstration. Thus, there is no reduction or elimination of coverage for child-only mandatory or optional eligibility groups. Consequently, there is no violation of Title XXI's maintenance of effort requirements, and no impact on the availability of the State's title XXI funding.
- The TEFRA-like Demonstration will not reduce or eliminate the coverage of children previously covered in the optional TEFRA eligibility group.
- The participants in the demonstration will receive the full State Plan benefit package. These are the same services that were available under the optional TEFRA eligibility category in the State Plan.
- This demonstration will test a premium-based approach for families, whose incomes exceed normal Medicaid thresholds, using an alternative arrangement for meeting the needs of the TEFRA population. Families whose incomes exceed \$25,000 will be required to pay a monthly premium (ranging from 1% of total income at lowest income levels increasing to 2.75% the highest income levels). As only 19 States currently operate an optional TEFRA program, this concept will test the viability of a premium-based approach that States could use to provide services to the TEFRA eligibility group.

Attached is a formal copy of the questions that were raised during the call on August 22, 2002. Your responses to these questions and the information gained from our discussion will be used in conjunction with the TEFRA-like Demonstration proposal to continue our review.

We understand your staff is working on the responses to the questions raised during the conference call in advance of receiving this letter and expect to be completed by mid-September. If you should need any assistance, please contact Chevell Thomas at (410) 786-1387.

Sincerely,

/s/

Theresa A. Pratt

Enclosure

cc:

Calvin Cline, ARA Region VI

J.P. Peters, Region VI

### Premiums/Cost sharing

1. In the development of the premium policies, premiums, and rates, did the State consider scenarios in which a private insurance premium could impoverish the family? Were there discussions about coordination of State and private premiums?
2. The proposal indicates that an advanced notice is issued to the participant when the case is about to be closed. Please describe the process the State will use, prior to this advanced notice, to notify the participant of default and assist them in resolving the problem. Also, please define “appropriate advance notice”.

### Benefits

3. The proposal indicates that all State Plan services will be available under the demonstration. Does this include extended EPSDT?

### Budget Neutrality

4. In Attachment F-2, the State provides unduplicated person counts for both recipients and eligibles. For purposes of calculating budget neutrality, please convert the unduplicated *eligible* person count into unduplicated eligible “member/months” or annual equivalents. “Member/months” refer to the number of months in which persons are eligible to receive services. Thus, for each unduplicated person counted, the State needs to further calculate the total number of months that person was eligible to receive Medicaid services to obtain a member/month total.  
For example: One person who is eligible for 3 months contributes three eligible member/months to the total. Two individuals who are eligible for 2 months each contribute two eligible member months to the total, for a total of four eligible member/months.
5. The proposal indicates that premiums are collected, but the budget information does break out how the premiums are included in it. Please revise the budget so that it indicates the treatment of premiums. Include a description of the collection and accounting of premiums by the State. Please note that CMS policy requires premium collections from Medicaid or Medicaid demonstration eligibles to be shared between the State and the Federal Government.

### Application Details

6. Describe the enrollment process. If a person enrolls in the middle of the month, how will the payment be handled for the partial month?
7. Did the advisory committee work with the Title V agency in the development of the demonstration proposal? How will the advisory committee be involved with the demonstration after implementation?
8. Please provide a copy of the public notice.
9. The environment section does not provide a complete list of waivers. Please provide.